

County Administrator's Budget Message

Introduction

The County Administrator and Staff are pleased to present to the Board of County Commissioners and the citizens of Monroe County the Budget for the coming fiscal year. This budget includes not only the results of the efforts of people throughout the County Administration, but also similar efforts by the Constitutional Officers, with policy guidance and instructions from the Board of County Commissioners.

The County has continued with its process toward more professionalized and refined budget preparation and adoption. In previous years, the review process has progressed from one of line by line detail to one of the Board of County Commissioners dealing with policies and trends so that the budget discussions could truly become a clear indication of where the Board of County Commissioners wishes to place its priorities. This year, as approved by the Board of County Commissioners at the special meeting on February 27, 2003, the budget is presented in a new format. This step forward shows much more clearly the relationships among revenue sources, expenditures and personnel. The Board of County Commissioners will be able to see at one time how these fit together for the various divisions and departments. The budget, by its very nature, is the implementing document for the series of policies and programs that the County will pursue. Recognition of improvement and professionalism in the County's budget was provided by the Government Finance Officers Association (GFOA), granting the County its Distinguished Budget Presentation Award for fiscal year 1999, fiscal year 2000, fiscal year 2001, fiscal year 2002, and fiscal year 2003.

During fiscal year 2003, there developed and continued many major issues that will have direct impacts upon the fiscal year 2004 budget and the tax rates for the various taxing districts. In Monroe County there is a tendency to dwell upon the more controversial issues, forgetting that most of what the County government does on a daily basis it does well, quietly, and without controversy. The adopted budget for fiscal year 2004 reflects the continuation of effective services, as well as responding to the more controversial issues and major challenges pertaining to state and federal funding and state mandated local government cost increases.

- The budget, tax table and millage table reflect the split of the Sheriff's budget into countywide and municipal policing functions, which occurred first in the fiscal year 2001 budget.
- The budget reflects the requirement that the Tourist Development Council provide thirty percent of revenues toward infrastructure costs.
- The budget responds to the instructions of the Board of County Commissioners to utilize fund balances according to policies established by the BOCC.
- The budget addresses the issues of employee compensation in conjunction with instructions from the Board of County Commissioners on February 27, 2003.
- The budget responds to the challenge of the rapidly increasing cost of the group benefits program.
- The budget feels the impacts of and responds to the aftermath of the tragic events of September 11, 2001, and the continuing significant loss of revenue from lower interest rates.
- The budget continues the streamlining of that portion of County government under the Board of County Commissioners, which initially occurred during the reorganization and downsizing period in fiscal years 2000 and 2001.
- The budget includes the County's continued support for human services and social services provided by community based organizations.
- The budget responds to state mandated cost increases, especially pertaining to retirement contributions for all classes of eligible County employees.
- The budget includes funds set aside to implement the second year of the settlement in the Shadex litigation.

County Administrator's Budget Message

- The budget responds to the initial impact of the state government's Revision 7 to Article 5 of the Florida Constitution. Final costs and revenues for this fiscal year may not be known until the 2004 legislative session is completed.
- This budget reflects the impact of the addition of four special taxing districts for wastewater purposes. These districts were adopted subsequent to the Commission's instructions in February of 2003.

Budget Themes

The fiscal year 2004 budget is a continuation and reflection of advances made in previous years that stabilized what had previously been difficult situations in some of the funds. The policy established by the Board of County Commissioners in reference to fund balances has served to provide predictability to the availability of funds to respond to general needs and problem areas. Budget revenues will hopefully return to more traditional patterns and levels in the future.

- The Board will recall that there has been a continued improvement in the stability of the funds. The events of the last two years have put a strain on many funds. The necessity to put aside funds for the Shadok settlement and continued low interest rates have tightened up the ability for many funds to be flexible in terms of addressing County needs.
- The budget, of necessity, attempts to respond to major changes. Some of these are as a result of the decisions of the Board of County Commissioners and others are outside influences. The Board in the past developed policy decisions in reference to the splitting of the Sheriff's millages, the utilization of Tourist Development Council funds, the appropriation of fund balances, and adjustments to the group benefits program, with additional changes projected for this year.
- The budget reflects the County's continuing commitment to reduce the size of its work force through an attrition program. In addition there is a clear recognition of the attempt to control costs and to continue to provide and improve the level of services to the citizens, within the context of limited funding.

This budget continues the progress made in various areas in previous years. As was discussed in previous budget messages, the budget presents a balanced picture of the need for fiscal conservatism and the desire on the part of the citizens for services. As in past years, a number of other themes are prevalent in the budget. Many of these will be familiar to the Board of County Commissioners since they have been major influences in the budgets for years.

- The budget responds to outside pressures that have a major impact upon the County's finances. This includes the cost of property insurance as well as the necessity of complying with federal mandates such as the Americans with Disabilities Act, the Fair Labor Standards Act, the Family and Medical Leave Act, Federal Department of Transportation Drug/Alcohol Program requirements, Occupational Safety and Health Administration requirements, etc.
- The budget represents changes made to the group insurance program by the Board of County Commissioners. It also reflects the growing cost of the group benefits program and the need for adequate funding of those services. Review of the recent experiences of other public agencies in the County indicates similar difficulties and rapidly increasing costs. Reference to media reports suggests that what Monroe County is experiencing with its group benefits program is occurring throughout the country and that private and public entities are wrestling with the same problems. Two years ago, at the instruction of the Board of County Commissioners, the County sought responses to bids for all parts of the County's program and the entire package. County consultants attempted to market the program directly to the private sector. None of the responses were substantial enough to change the program. Because major impacts continue, the BOCC has

County Administrator's Budget Message

decided to bid out the group insurance program again. In addition, the County will apply to the new state sponsored special risk pool for health benefits when applications are available.

- The budget represents continued stability in the workers' compensation fund and responds to cost changes in the risk management fund. State legislation changes are expected to have a substantial impact on the workers' compensation fund in the future.
- The budget continues to respond to mandates upon the County government. One of the major ones is the detention facility on Stock Island and the need to maintain and protect that huge investment. Maintenance and operations are identified in both the County Administration and the Sheriff's budgets.
- The budget continues to respond to the Board of County Commissioners' policy of expanding park and recreational facilities. There are proposals for the increase in maintenance as well as upgrading existing parks, including children's playground equipment. As a result of decisions made in reference to the operation of the Upper Keys Community Pool, the Board of County Commissioners found it necessary to fund a Contract with the YMCA to operate the balance of the Key Largo Community Park. Funding in the amount of \$40,765 is included in the budget. The fiscal year 2005 budget will need to include cost increases for the maintenance of the new Big Pine Park.
- The budget responds to ongoing daily services provided to citizens. There are increases and improvements in many of these services, especially parks and recreation, libraries, and growth management.
- The budget continues to respond to major long range initiatives and policies adopted by the Board of County Commissioners, including the implementation of the Comprehensive Plan, the Livable CommuniKeys Program, the preparation of new land development regulations, implementation of wastewater treatment programs, affordable housing, and the activities necessary to comply with the Administration Commission's new work program. The cost of compliance with the requirements of the Carrying Capacity Study will need to be shared with other governmental levels.
- The County, through this budget, is also prepared to continue with enforcement of the revised flood insurance program as agreed to by the Federal Emergency Management Agency.
- The budget responds to compensation policies established by the Board of County Commissioners. In fiscal years 2000 and 2001, a merit program was funded and implemented. In fiscal years 2002 and 2003, the Board of County Commissioners established an across the board compensation level for all County employees including those under the Constitutional Officers (7% for 2002 and 4% for 2003.) In addition, the Board approved a Recruitment and Retention Program. The combination of these items has substantially reduced turnover in those areas under the Board of County Commissioners. In February of 2003, the Board of County Commissioners instructed the Administration to prepare the fiscal year 2004 budget with a 2.4% compensation increase for all County employees. Constitutional Officers determine compensation levels for their employees within the amounts provided by the Board.
- The new budget format is designed to provide more focus on major issues as a result of reviewing executive level reports. These are included in the budget binder. In addition, the format allows the Board and public to see the relationships among revenues, expenditures, and personnel for each part of the government more easily. The budget is prepared according to professional guidelines provided by the Government Finance Officers Association.
- The budget includes some costs that the Board of County Commissioners may wish to approve as a result of negotiations with the International Association of Firefighters, which represents the

County Administrator's Budget Message

County's Fire/Rescue/EMS employees. Results of those negotiations will be presented to the Board of County Commissioners in the near future.

- The budget responds very clearly to the continuing commitment of the Board of County Commissioners to fund human service and social service agencies in the community through the work of the Human Services Advisory Board. Additional requests that were received from community organizations for additional funding were also directed to the Human Services Advisory Board .

This budget addresses many major issues in the County. It, therefore, is a document that will engender policy discussions by the Board of County Commissioners and clear guidance to the Administration. If there is one theme that is prevalent throughout the entire budget, it is that the County has established a strong financial position which will enable it to traverse more difficult economic times, and consider major issues while it continues to provide services to the citizens. The Board of County Commissioners should not lose sight of the fact that some overriding issues will tend to draw attention away from the substantial advances made over the last few years.

Budget Format

At the meeting of the Board of County Commissioners on February 27, 2003, the Board and the Administration discussed a new format for budget presentation. The Board approved a format which was used previously and successfully by other counties. This is a major step forward.

Challenges Addressed

It seems as though many of the challenges faced by Monroe County Government are present each year. Some of the items discussed below have been discussed in previous budget messages and substantial progress has been made. However, they have a major impact on the overall budget each year and need to be identified as ongoing activities. Some of the other items discussed are new and can be handled in one budget year. It is hoped that in addressing these major challenges the Board can see that each budget does not exist by itself but, rather, is another step in a continuing effort to provide and to improve services to the citizens, at this time within very serious economic constraints.

Employee Compensation – The County has wrestled with the issue of fair and equitable employee compensation and its relationship to productivity and the quality of service. During fiscal year 1999, the Administration presented to the Board of County Commissioners a series of proposals for moving forward not only employee compensation but also the downsizing of the work force and the improvement of productivity. The Board agreed to those proposals as the beginning of a multi-year program. They were implemented in fiscal year 2000 and continued successfully in fiscal years 2001-2003. Also, in fiscal year 2001 the Board agreed to adjust the salary ranges for the positions under its jurisdiction to reflect three years of consumer price index increases. Fiscal year 2002 continued with a stable workforce (no major increases or decreases). Also, the Board of County Commissioners authorized a recruitment and retention program, which has helped to reduce turnover from near 20% per year to under 12% for the last full calendar year. As this Budget Message is being prepared, turnover currently is running at a more acceptable 7%.

The Administration continues an attrition program with the goal of reducing the workforce without layoffs and reassigning work and responsibilities to improve productivity. Originally conceived as a response to the potential for layoffs as a result of the proposed incorporations, the attrition program has now become a part of reforming the manner in which County work is assigned. The program has shown signs of streamlining some County operations while reducing the number of employees. The adopted fiscal year 2004 budget has a net reduction of 6 positions for those areas directly under the control of the Board of County Commissioners and a total net increase of 16.00 positions for other areas of County government. From fiscal year 1998 to fiscal year 2004, the number of full time equivalent positions under the BOCC has decreased from 623 to 495 (21%). This has included both County-wide and municipal services.

County Administrator's Budget Message

In February of 2003, the Board of County Commissioners instructed the Administration to provide a 2.4% across the board increase for all County employees. It should be noted that the Constitutional Officers are responsible for conducting their compensation programs within the funds provided by the BOCC.

Group Benefits Program – The County has made major strides over the last few years in correcting the previous problems associated with the group benefits program and its fund. Previously the fund had been stabilized and strengthened, and the program changed third party administrators and the efficiency and effectiveness with which claims are handled. The response from employees has been very positive over the last few years.

In March of 2001, the Board of County Commissioners met to review the increasing costs in the group benefits program. Presentations by the County's health insurance consultants, Walgreens Health Plan representatives, Keys Physician Hospital Alliance and staff served to point out the growing problems. The Board of County Commissioners wrestled with many of the issues, including changes that would impact employees, dependents, and retirees and made some adjustments to the program. The cost savings of those adjustments are estimated to be between \$400,000 – \$500,000 per year.

The Board should be aware that historically the group benefits program has included not only health care but also dental, vision and pharmaceutical card coverage as well as an Employee Assistance Program and life insurance for participants. The costs of all of these are included under the premium paid by the County on behalf of the active employees and the subsidized premium paid for retirees and dependents. At this time, there is no premium paid by retirees for their coverage nor is the amount paid on behalf of dependents sufficient to cover their costs. The result is that the great majority of program costs are paid by the Board of County Commissioners through the internal premium funding process, which is supported approximately 77% by ad valorem taxation. With the adoption of this budget, the Board of County Commissioners took actions that decreased the subsidy for dependent coverage and initiated a \$50 per month premium for eligible retirees.

It should also be recognized that the program covers not only the approximate 500 employees under the Board of County Commissioners but also 791 employees under the Sheriff and other Constitutional Officers and 894 dependents of all those employees and retirees. There are approximately 299 retirees covered under the program. When the Board of County Commissioners first instituted retiree coverage in 1988, there were only 12 retirees. The growth in that number, as well as the growth in health care costs, dependents' subsidy, pharmaceutical costs, major cases, etc., etc., etc. have contributed to a rapidly growing group benefits program.

In its deliberations over the years, the Board of County Commissioners has been most sensitive to the needs of employees, retirees and dependents. The County has been slow to increase dependent contributions recognizing the direct impact upon employee take home pay, especially for more moderate income workers. It has also been of great concern that retirees felt they were irrevocably entitled to free health care after retirement, even though that is not borne out by the policies that have been in place. In the past, each time there has been a discussion of the group benefits program, the Board of County Commissioners has decided either to do little in the way of major change and thereby assume the growing costs or, as in March, 2001, has made some significant changes which balanced the needs of the program and the County with the covered individuals. The Board of County Commissioners is aware of the continuing problem, even as we are reading about it affecting other governments and the private sector all over the country.

It should also be noted that the Administration has kept track of what the other public agencies have been doing over the last few years. Most of this has been reported to the Board of County Commissioners. The School Board, Aqueduct Authority, City Electric (Keys Energy Services) and others have made changes in how their programs operate. The County finds itself in a period in which it should review the program every year and make adjustments.

The Board has also been kept informed of changes previously proposed and now under review for adoption by the Government Accounting Standards Board (GASB). It became necessary to review the group benefits program, especially the free health care for retirees portion, to reduce what was an approximate \$65 million dollar unfunded liability. Changes made in 1999 by the Board of County Commissioners in reference to eligibility for the retiree benefit reduced that level to approximately \$26 million dollars. However, the County has experienced a major increase in the number of retirees, presently 299, and the trend continues. The County's consultant has indicated that the exposure has risen substantially to \$90 million.

County Administrator's Budget Message

In April of 2003, the Board of County Commissioners considered the entire group insurance program and the need for reducing costs substantially in adjusting the manner in which parts of the program were funded. Throughout the budget process, the Board continued to make changes to the program. The final result was that the Board decided to adjust the medical co-pay and out of pocket limit, the pharmaceutical program, the dependent subsidy, retiree contributions, and some other specific service level benefits. In addition, the Board decided that the vision and dental parts of the program should be provided separately with payroll deduction by the employees as they deem appropriate for their personal situations. The overall change was a savings of approximately \$2.7 million, approximately \$2.1 million of which was ad valorem taxation.

Comprehensive Plan – When the 2010 Comprehensive Plan took effect in July of 1997, the County turned its attention to implementation. Much has transpired since then and the County has been funding significant parts of that implementation.

In 1999 the Governor and Cabinet, sitting as the Administration Commission, adopted a new multi-year work program and required the County, in conjunction with a variety of other agencies, to meet certain goals over the life of the work program. In the recent years, the County has made substantial strides. Fiscal year 2004's budget includes \$270,000 for Comprehensive Plan implementation. This is a lower amount than previous years and reflects the completion of major aspects of the implementation including the wastewater master plan and the storm water master plan. The general work associated with the wastewater program has been funded. The capital costs are being handled mostly through the capital program. During the current year, the Board decided to establish four new taxing districts to raise wastewater funds. These numbers are included in the budget .

A major effort during the year in reference to implementing and improving the Comprehensive Plan will be the continuation of the Livable CommuniKeys Program. This will continue on Big Pine Key in conjunction with the habitat conservation program and the countywide carrying capacity study. There are program areas for Stock Island and two additional areas in the Lower Keys from Little Torch to Sugarloaf and Rockland to Saddlebunch. In the Upper Keys there will be an ongoing Livable CommuniKeys Program in Key Largo and Tavernier.

Human Service Organizations – During the budget discussions in February, the Board of County Commissioners reviewed the level of funding available to the Human Services Advisory Board. Initially, the BOCC determined to leave that funding at the current year's level, \$1,064,950. However, throughout the budget process, this figure was adjusted. The final budget reflects these changes bringing the level of funding to \$1,304,950.

During fiscal year 2002, the Board established a committee with the overall responsibility of looking at how the County handles the funding of community-based human service and social service organizations. That committee was chaired by Commissioner Spehar and brought to the Board of County Commissioners a plan for change which ultimately was adopted by the Board with instructions to the Human Service Advisory Board for it to proceed with those changed policies and categories of services for preparation of this year's recommendations to the BOCC. Those policies are still in place.

The Human Services Advisory Board did as requested and submitted back to the Board such proposals. Part of the proposal was to have those agencies that provide statutorily mandated services to come directly to the Board of County Commissioners. Those are listed within the budget as stand alone requests. However, the issue does not stop there. In the Budget Messages for the proposed fiscal year 2002 and 2003 budgets, the following statement appears:

It must also be noted with some concern that the BOCC is being approached more frequently by outside organizations to increase their grants or to make up for cutbacks by state and federal programs. This makes the County the "payor of last resort" at the same time the County's state and federal funds are being reduced, especially for social services, employment training, and youth programs. The BOCC should consider a policy for dealing with this situation.

What has been happening has been occurring for many years. Under the philosophy of devolving power back to the states, the federal government has provided states with additional responsibilities for programming and has sent less money to support the programs. Likewise, the states have been moving many programs, especially in

County Administrator's Budget Message

the human and social service category, back to local communities with less funding support than previously. Since the problems in the community continue to exist, local government frequently becomes the last refuge for organizations that want to provide services to the community.

Solid Waste and Recycling Rates – The impact of the hurricane and tropical storm clean-up costs from 1998 and 1999 caused some concern in reference to the rates. However, the fund balance continues to be strong and it is anticipated that the fund will stay secure. After last year's budget process, the Administration was concerned that there would need to be an increase in the residential collection rate to cover the cost of residential collection, recycling, related programs, and haul-out. There has not been an increase in rates for seven years. Efforts have succeeded in stabilizing haul out rates for the past two years and next three years, doing away with various cost elements in the contract with the haul out contractor. The one area of concern was the growing debt of the City of Marathon in reference to the amounts owed the County for tipping fees and haul out services. That debt has been resolved and Marathon is current with its payments. Therefore, it is not necessary to increase the non-ad valorem residential solid waste assessment. This is the eighth year in a row that there has not been an increase in the assessment.

BUDGET SUMMARY

This section will cover a number of issues with which the Board is generally concerned. These issues are highlighted to assist in an understanding of the major issues that are causing changes.

Presentation February, 2003

In anticipation of changing budget situations, the Administration presented a number of issues to the Board of County Commissioners to help prepare for the budget year. The presentation covered a wide variety of issues including the ones identified below.

The presentation discussed the increasing property values in Monroe County. There has been substantial annual growth in property values and, as a result, ad valorem millage in most areas of the Keys has been reduced over the last four years, with some fluctuation as a result of the municipal incorporations. The most recent figures supplied by the Monroe County Property Appraiser indicate that County-wide property values have increased from \$12.7 billion for fiscal year 2003 to \$14.8 billion for fiscal year 2004, a 17 % overall increase. This means that properties that are not homesteaded may experience a larger tax increase than homesteaded properties.

The presentation identified a number of major issues for this year's budget presentation. Included among those were a level of compensation, proposed retirement system rate increases, group benefits costs, insurance cost increases, the Shadek settlement, how to handle nonprofit funding, state budget issues and the County's loss of revenue, state budget issues and cost shifting to the County, and the County Commission fund balance policy. A summary of those issues showed the Board of County Commissioners the potential impacts on County government, before the Board even began considering County services.

SUMMARY OF ISSUES

	Total <u>Estimated Impact</u>	<u>Ad Valorem Funds</u>
Salary Increases (per 1%)	\$560,000	\$500,000
FRS Rate Increase	\$2,200,000	\$2,000,000
Group Benefits	\$4,000,000	\$3,100,000
Insurance	\$250,000	\$180,000
Shadek Settlement	\$2,000,000	\$1,000,000

County Administrator's Budget Message

State Budget Issues –

Lost of Revenue
Cost Shifting

Total Impact of
State Issues Unknown

There were also discussions in reference to funding of nonprofits, increases in insurance rates, and other issues. A discussion of the group benefits program resulted in a decision to have a special meeting in April of 2003 specifically to address those issues and the costs.

The February 2003 meeting resulted in a vote by the Board of County Commissioners to instruct the Administration to prepare the proposed draft budget according to the following policies. The proposed budget was prepared in conjunction with those directions.

1. Draft proposed budget presented to BOCC in July with aggregate millage increase no more than 2.4% (CPI rate) over rollback.
2. Included within this proposed budget would be:
 - a. Compensation increase of 2.4% for all County employees
 - b. State mandated retirement contribution increase
 - c. Human Service Advisory Board total recommendations at this year's level of approximately \$1,065,000 (does not include additional project cost added by BOCC)
 - d. Significant reductions in group benefits program costs and/or increases in revenues
3. Additional costs above the 2.4% would be allowed for new state mandated programs and cost increases (example: Medicaid)
4. Implications
May necessitate cutbacks in services and positions in order to meet goal. Specifics would be presented with July budget proposal.

Appropriations

The appropriations for the coming year are in Section E of the budget book, in a form entitled "Fiscal Year 2004 Budgetary Cost Summary." On Page E-3 at the bottom line is the overall change from the fiscal year 2003 adopted budget to the fiscal year 2004 budget. That change is from \$269,310,004 to \$290,096,105. That shows a \$20,786,101 (7.7%) increase. As will be seen later, that is the total increase in the budget but certainly not the increase in taxation.

There are a number of major impacts on the \$17,563,127 increase. In summary and in round numbers, the major influences are as follows:

Board of County Commissioners	-\$572,000
Management Services	+\$2,290,000
Public Safety	-\$835,000
Public Works	+\$18,324,000

(Includes the \$21 million bond issue proceeds for capital projects. Therefore, there is actually a reduction in operating and other capital expenses.)

Growth Management	+\$2,528,000
-------------------	--------------

(Includes \$1,603,000 for the revenue from the five wastewater taxing districts approved by the BOCC.)

Community Services	\$-112,000
Veterans Affairs	\$-48,000
Key West Airport	\$-798,000
Fire Rescue Services	\$-3,000

County Administrator's Budget Message

Elected Officials (Constitutional Officers)	\$+1,558,000
Appointed Officials and Boards	<u>\$-1,619,000</u>
TOTAL	\$20,712,000
	(Rounded)

The next section will demonstrate the major changes that are impacting the fiscal year 2004 budget.

Changes in Costs of Operations

Because of the concern of the Board of County Commissioners about expenditure levels, this section will be concerned primarily with the increases and decreases by division for those services directly under the Board of County Commissioners. The information contained below is included in the Budgetary Cost Summary by official/division and the backup material. All of the sections directly under the Board of County Commissioners include 2.4% to fund the compensation program for employees and for the Constitutional Officers.

1. Board of County Commissioners – Because of the manner in which fund accounting is done in government and BOCC policy decisions, the BOCC section of the budget shows a \$-572,445 (-1.0%) decrease. This reflects a \$1,460,488 million increase in budget transfers to cover debt service payments related to the new Capital Bonds. In addition, there is a -\$2,770,413 decrease in reserves due to the timing of the Capital Projects Plan.
2. Management Services Division – The Management Services Division shows an increase of \$2,289,679 (9.1%). This increase is due mostly to the amount contributed to the group insurance program for the coming year. Although the Board of County Commissioners made a \$2.7 million adjustment in the program, the necessity of having a mid-year correction during fiscal year 2003 shows up as an increase in fiscal year 2004.

All other lines within Management Services are reductions except for Technical Services which has a small increase to keep pace with the County's addressing of its growing technology needs.

3. Public Safety Division - The Public Safety Division includes a \$-835,126 decrease (-4.3%). The major changes in this division refer to the adjustments in Public Safety Management wherein some managerial costs are being transferred to the Marathon Airport fund and the Solid Waste fund (both non ad valorem). In addition, there is a \$591,367 decrease in the solid waste operation due to negotiated changes in the haul out contract for waste management and savings associated with refinancing the Solid Waste bonds in fiscal year 2003.
4. Public Works Division – This budget shows an overall increase of \$18,324,305 (30.9%). The Board should take a close look at the combination of numbers that leads to this bottom line. Much of the budget concerns capital projects, the funds for which have been carried forward if they were not completed during the current year. This could be for road, bridge and bike path construction or any of the facility and park projects in the infrastructure sales tax. The budget includes the \$21+ million bond issue with funds spread across a number of different categories including GENERAL GOVERNMENT, CAPITAL PROJECTS, and PUBLIC SAFETY CAPITAL PROJECTS. Other increases reflect carryovers and proposed projects within the infrastructure sales tax budget. The Board should be aware that the increases are predominately capital budgets and operations related to capital budgets and there are overall decreases in the general operating categories. That is one of the reasons why a \$21 million bond issue results in only an \$18 million increase.
5. Growth Management Division – The Growth Management budget is \$2,528,140 (33.8%) more than fiscal year 2003. This is due to a number of factors. Most notable is the addition of \$1,603,369 in proceeds from the wastewater taxing districts. Also included are funds to assist with the payment of the Shadek settlement. There is also a \$214,933 increase in Marine

County Administrator's Budget Message

Resources which represent the transfer of one position and additional boating improvement funding.

6. Community Services Division – There is a reduction of \$-112,266 (-1.8%). Because the departments within the Division have run tight budgets for years, the major impacts here represent a change in the impact fees for libraries, which are frequently spent by the County, and some tight operational budgeting by the different departments.
7. Veteran Affairs Department – This Department, which stands as an independent Department, outside of divisions, shows a \$-48,433 decrease (-8.5%). This is primarily the result of strong budgeting controls and the elimination of one position.
8. Key West International Airport – First, the Board should be aware that because of organizational changes, the Marathon Airport is budgeted under the Public Safety Division. In the fiscal year 2004 budget, Key West shows an -\$797,805 decrease (-16.2%). This is due primarily to the availability of airport funds. The challenges for the future are to maintain adequate levels of security as the risk status changes in this country and to prepare the airport for what continue to be security costs and heavy usage.
9. Fire Rescue Services – For the first full budget year, Fire Rescue Services are listed as a separate Department under a new Chief. This budget, including the Upper Keys Trauma District, shows a reduction of -\$3,394 (-0%). This is primarily the result of reductions in EMS Administration, which have occurred over time and reduction in funds available for the Upper Keys Trauma District.
10. Elected Officials – Budgets for the Constitutional Officers and the County's obligations to the judiciary show an overall increase of \$1,632,023 (+2.8%). The largest number is in the Sheriff's budget (\$1,572,953), which overall constitutes a 3.9% increase. It should also be noted that funding of Article 5 of the Florida Constitution, in reference to the judicial and related services, is in the process of being revised. Some items are reflected in this budget under Judicial Administration but it is anticipated by the Clerk and the County Administration that the state legislative session in early 2004 will make additional changes that will have a negative impact on the fiscal year 2004 budget's last quarter. It may be necessary for the Administration and the Clerk to address adjustments at that time.
11. Appointed Boards and Officials – The overall reduction in this category is \$-1,618,577 (-6.8%). This is due primarily to the timing of projections by the Tourist Development Council for the coming year. The County Administrator, the County Attorney and the Medical Examiner have held the line on budgets for the coming year.

Therefore, even though there is an overall \$20,711,976 (7.7%) increase, the major changes are in large categories that are much greater than this increase. For example, it was necessary to budget over \$2 million for the group insurance increase, \$21 million for a bond issue, and \$1.6 million for the wastewater taxing districts. Therefore, if it had not been for those categories, the total budget figures would have been a reduction. The great majority of those numbers do not rely upon ad valorem taxation for support.

Personnel

The personnel section of the budget shows the status of positions in the fiscal year 2004 budget. It includes information that was available from the Constitutional Officers. In past years, the Personnel numbers have been reported on an FTE (Full Time Equivalent) basis. This means that part time employees would be listed at .5 or .4 and the total would count the addition of all the full time and part time employees. However, because of the new budgeting system, the count of positions actually refers to specific positions, no matter whether they are full time positions or part time positions. Therefore, a full time position is listed as one and a part time position is also listed

County Administrator's Budget Message

as one. For those who remember the previous personnel statistics, it will seem as though there is a small increase in the number of positions but in actuality the overall numbers are reduced.

Overall, Monroe County has approximately 1,291 positions that work for the Board of County Commissioners and the Constitutional Officers. Of that total, the budgeted positions for fiscal year 2003 under the Board of County Commissioners total 508 or approximately 40% of all employees working for the County (the numbers under the Board do not include grant employees, such as those working for Social Services). County employment under the Board reached 623 positions in fiscal year 1998. That was reduced to 588 positions or about 5.5% in fiscal year 1999. In fiscal year 2000 the number was reduced further to 562 positions or another 4.4% decrease. In the fiscal year 2001 the number was lowered to 507 for an additional 9.7%. In fiscal year 2002, the number was 501 positions, a further decrease of 1% plus. The fiscal year 2003 budget includes a reduction to 495 full time equivalent positions. Therefore, in the last few years the employee count under the Board of County Commissioners has decreased by approximately 20%. In the fiscal year 2004 budget, there is an overall reduction of approximately seven positions under the Board of County Commissioners. (It should be noted that this was done primarily through attrition and not from layoffs.)

Reduction in positions shows in a number of areas. In the position changes by division, cost center report, the Board will see a total listing of position adjustments. It will be noticed that there is a lot of reallocation of time for various positions within the County. Those reallocations do not result in a larger or smaller position count. However, they frequently do result in some ad valorem cost savings as a result of new assignments.

The budget includes a 2.4% allocation for salaries for those positions under the Board of County Commissioners and the Constitutional Officers. In addition, the personnel costs within the budget reflect a \$500,000 increase in contributions to the Florida Retirement System. The State mandated that local governments contribute additional for all categories of public employees. The amount identified above for Monroe County, including the Constitutional Officers, represents an approximate \$450,000 increase from ad valorem taxes. This is spread throughout the personnel sections of the County budget.

Major Issues

There are issues of which the Board should be aware in the development of this budget. Some of these have been discussed previously and are repeated here for the sake of putting them together with other issues that are part of the considerations. Some of them are as follows:

1. Fund balances have been included in the budget according to the policy decisions made by the Board of County Commissioners. One exception is in fund 102 (Road and Bridge fund) for which the Board is requested to waive fund balance usage from 70% to 85%.
2. Full cost allocation figures have been applied to next year's budget and are included under the budget of the Board of County Commissioners.
3. The budget includes the adjustment for the rate increase for the internal premium for the group benefits premium as amended during fiscal year 2003. The Board of County Commissioners in April of 2003 determined to make adjustments to the group program. During the process of adopting the fiscal year 2004 budget, the Board made several adjustments to what was approved in April. Overall, the final adjustments resulted in a \$3.7 million cost decrease. The rate for fiscal year 2004 is budgeted at \$790/month, which includes the subsidies for retirees and dependent coverage.
4. During the previous year's budget discussions, there was consideration of incentives and recruitment and retention issues. The Retention and Recruitment Program has generally been a success. In addition, the Administration has been working with educational opportunities and incentives based upon obtaining of certifications and specialized training that will benefit the employee and the County. These will continue in the coming year. In fact, over the last few years, the turnover rate for employment has been reduced from about 20% to currently about 7%.

County Administrator's Budget Message

5. The Board of County Commissioners created new municipal service taxing units for the purpose of supporting the cost of wastewater projects in Marathon, Conch Key, Bay Point, and Key Largo.

Tax Implications

The millage sheets show the trend including fiscal years 2002, 2003 and 2004. The property values that underlie the millage information were derived by the Property Appraiser and show a 16.6% increase in values across the County.

The aggregate figure is a combination of the millage figures throughout the various taxing districts. For example, if the Board will review the "percent over roll back" column under fiscal year 2004, it will see the total County-wide services show a millage increase of 1.71%. The roll back figure is the millage rate necessary to raise the same amount of taxes next year as in the current year. Because of the increase in property values, the roll back rate came in significantly lower than the current millage rate.

It should be noted that the Local Health Unit (the State Health Department) is listed at a total taxation of \$305,660. That was a 4.55% increase above the current year. The total General Purpose Municipal Service Taxing Unit shows 8.52% decrease over the roll back rate, with a very small dollar amount implication.

The Local Road Patrol Law Enforcement District shows a reduction of 0.91% and the Lower and Middle Keys Fire and Ambulance District an increase of 11.12%. The Municipal Service District 6, which is primarily Key Largo, shows a reduction which is due primarily to the volunteer nature of their Fire and EMS services. The aggregate then is 5.96% over the roll back figure.

The new wastewater taxing districts do not cover the entire area of Monroe County but do have an impact upon those areas identified. Per \$100,000 value, in Marathon there is an additional \$77 increase, in Conch Key an additional \$70 increase, in Bay Point an additional \$70 increase, and in Key Largo an additional \$35 increase. Therefore, the necessity of collecting funds to support the wastewater projects has an impact upon the level of taxation to be paid within those geographic areas. The total increase in taxes to be collected is projected to be nearly \$2 million.

General Information

The general fund is divided into a number of categories. The tax collection for the library portion of the fund has been combined with other general fund activities this year. Additionally, the line "Other" includes a wide variety of general fund activities. Impacts in these lines reflect loss of interest income and state shared revenue and increases in insurance costs.

The next line is the Law Enforcement, Jail, Judicial line. This includes mostly the Sheriff's budget for Countywide services. There are unincorporated taxing districts that provide municipal services. The General Purpose Municipal Service Taxing Unit (MSTU) includes the entire growth management, fire marshal, parks, and beaches functions. Next is the Local Road Patrol Law Enforcement District. This covers the municipal policing services that the Sheriff provides in the unincorporated parts of the County.

Another municipal service that shows an increase is in the Lower and Middle Keys Fire & Ambulance District 1, which includes all of unincorporated Monroe County except for Key Largo, which is District 6, and Ocean Reef, which is District 7. The Board created several new Wastewater Municipal Service Taxing Units. Four of the five new districts have taxes assessed this year for the first time.

The last number in the lower right hand corner of the page shows a \$4,357,754 increase in the total amount of taxation to be collected.

CONCLUSION

County Administrator's Budget Message

It should be noted at this time that this budget does not include major new proposals for programs or services because of the difficult taxation situation and the increase of costs in various parts of the County budget (such as group benefits) and the impact of State mandates (such as retirement contributions). Even with the reduction in the number of positions, there is confidence that the level of services can be maintained.

As has been happening for generations, state and local governments are now going through a negative, economic cycle. One day that cycle will change, hopefully within the next year or two, and it will be possible to expand and improve services and address some new issues. The Administration is prepared to work with the Board of County Commissioners to meet its goals and policies and to help prepare for more positive years in the future.

James L. Roberts
County Administrator
September, 2003